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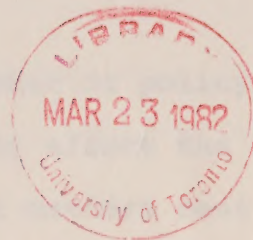
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**national farmers union**

*In Union is Strength*

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**National Farmers Union**

**Submission**

**to the**

**Canadian Wheat Board**

**presented at**

**Winnipeg, Manitoba**

**March 11, 1982**



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1. We welcome this opportunity to discuss a number of policy issues with your Board that either directly or indirectly affect the issue of grain marketing. Although some of the subject matters rest outside the policy jurisdiction of your Board, we nonetheless will welcome your support for future representations we may make to the responsible bodies.

Support for Board Concept

2. The members of the National Farmers Union have a long standing record of support for the concepts of orderly marketing in general and grain in particular. Our organization is, without qualification, the most supportive farm group in Canada of Wheat Board efforts in grain marketing. That conclusion is based on our policy acceptance of such basic concepts as:

- 1) Equality of delivery opportunity shared among producers through single desk selling and the administration by the Board of a quota system which reflects sales opportunities by kind and grade of grain and is capable of eliminating price manipulation, speculation and waste;
- 2) Pooling of costs and payment to producers of the proceeds of each kind and grade of grain reflecting in broad terms the marketing experience of the Board within each pooling period;
- 3) A publically appointed Board of Commissioners who possess broad marketing experience and expertise in marketing skills and are charged with the task of maximizing sales and price opportunities on behalf of producers.





3. We categorically reject the concept of the present Board being replaced by a producer elected Board as has recently been adopted in policy by the Western Agriculture Conference of the Canadian Federation of Agriculture.

4. We fail to understand where the performance of a politically elected Board required to deal in world export markets and, in many instances, directly with foreign governments, would enhance marketing and pricing opportunities in the sale of Canadian grain.

5. As we have witnessed from time to time, marketing information of a sometimes sensitive nature to Board sales initiatives has been subject to breaches of trust by members of the current elected C.W.B. Advisory Committee. We can well imagine that the presence of representatives hostile to the concepts of orderly marketing on an elected Board directly responsible for marketing strategy and sales negotiations, could prove to be disastrous to our international sales efforts.

#### Extension of Marketing Function

6. We congratulate the Board in having achieved record high final realized prices on grains marketed in the 1980-81 crop year at a marketing cost producers can rely upon to be kept as low as possible. This stands in sharp contrast to the erratic and extreme spreads experienced between the street and export prices of open market grains.

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4. We fail to understand where the performance of a politically elected Board would be liable to deal in world export markets and, in many instances, directly with foreign governments, would enhance marketing and pricing opportunities in the sale of Canadian grain.

5. As we have witnessed from time to time, marketing information of a sometimes sensitive nature to Board sales initiatives has been subject to disclosure to the public. The presence of representatives of the public in the Board's marketing on an elected Board directly responsible for marketing strategy and sales negotiations, could prove to be disastrous to our international sales efforts.

Extension of Marketing Function

6. We congratulate the Board in having achieved record high final realized prices on grain marketed in the 1950-51 crop year as a marketing cost producers can rely upon to be kept as low as possible. This stands in sharp contrast to the erratic and extreme spreads experienced between the floor and export prices of open market grains.



7. Because privately owned open market grains are often not concentrated in terminal elevator facilities, the assembly in sufficient volumes of such grains to create export cargoes has complicated proper port utilization.

8. In addition, the existence of large quantities of unpriced rapeseed in terminal elevator positions these past several months has also impeded the efficient use of these facilities by the Board.

9. The Board in its operations over the years has earned the confidence and trust of the vast majority of grain producers. While it is answerable by law to Parliament, it has also assumed a responsible and conscientious obligation to report directly to producers on an annual basis through district meetings and at numerous annual meetings of farm organizations.

10. By contrast, there is no such accountability of marketing and pricing performance by the private trade to producers of rye, flaxseed and rapeseed.

11. We recommend the federal government extend C.W.B. marketing jurisdiction to include flax, rye and rapeseed for the commencement of the 1982-83 crop year.

12. We further recommend that the current number of C.W.B. Advisory Committee districts be increased from 11 to 12 through the creation of a new district 12 confined to the Peace River region of Alberta and British Columbia.





## Feed Grains Policy

13. We regret the federal government has to date failed to commit itself to enhancing still further the economic welfare of grain producers by enlarging the marketing jurisdiction of the Board to the status of a Canadian Grains Board to include all grains marketed commercially in Canada.

14. Indeed the direct opposite is the case. The federal government has, over the course of the past twenty years, gradually eroded the marketing and pricing functions of the Board through major changes as:

- a) Eliminating Board jurisdiction over the marketing of feed grains for consumption within the C.W.B. marketing area;
- b) Eliminating Board jurisdiction entirely over the marketing of all domestic feed grains;
- c) Eliminating Board jurisdiction in the allocation of grain cars for the outward movement of grain;
- d) Imposing upon the Board the restriction of a corn competitive price guarantee in the sale of grain to that portion of the domestic market that remains unfilled by the open market, thereby frustrating the Board in fulfilling its obligations for maximizing price returns to grain producers and restricting its export sales initiatives.

15. This latter policy was challenged by the Board itself in its policy pronouncement of December 21 which undertook to provide feed grains from its stocks to the domestic market at fair market prices.

16. While this evoked sufficient concern among the users of domestic feed grains to prompt the Board to extend its corn formula pricing policies to March 15, it is our hope the issue can be resolved to the satisfaction of both sides.





17. One means of so doing would be to return to C.W.B. jurisdiction the immediate responsibility for the marketing and pricing of all domestic feed grains.

18. In addition, we recommend that should the federal government wish to maintain the relative benefits of corn-formula pricing for western feed grains to the users of feed grains, that it pay to the C.W.B. an amount reflecting the disparity between the real market value of prairie feed grains and the depressed value of U.S. corn.

#### Market Assurance Program

19. For the current marketing year, the Board has established an export target of 26 million tonnes. The Canadian Grain Commission reports that "Exports of Canadian grains and oilseeds during January 1982 totalled 1 260 thousand tonnes, increasing the crop year total to 12 393 thousand tonnes. This is 1 325 thousand tonnes (12%) more than the exports during the same period one year ago and 17% ahead of the record exports in 1979-80."

20. The six month volume of 12,393 thousand tonnes is short of the required 13 million tonnes needed to reach a target of 26 million tonnes by July 31, but certainly is not insurmountable.

21. The thrust of the Board's marketing targets of 30 million tonnes by 1985 and 36 million tonnes by 1990 dictate the need for increased grain production.

22. An important key toward attaining required production levels will be the assurance on the part of producers that they will not be left to finance the carrying costs of heavy inventories of unsold grain.





23. The Board too recognized this need when it proposed a Market Assurance Program for discussion by producers at the 1981 C.W.B. Advisory District Meetings. While the general consensus of producers at these meetings was interpreted to be unfavourable toward a Market Assurance Program, a NFU Committee devised the principles for a M.A.P. which was adopted by delegates attending our 12th Annual Convention in December, 1981.

24. These principles state as follows:

- a) *As other grains and oilseeds come under Board jurisdiction they become eligible for the Plan.*
- b) *That the cash advance program be continued.*
- c) *A special page or pages be provided in each delivery permit book to record all transactions relating to MAP.*
- d) *At the conclusion of harvest or before December 1 in each year, a producer who wishes to participate in MAP would declare in the permit book the quantities and estimated grades of each kind of grain he will be delivering to the Board during the crop year.*  
*Note: This would make MAP a voluntary plan.*

*If, by the end of a crop year, a producer had been unable to deliver the quantity of grain he had committed for delivery, the amount of undelivered grain would become MAP grain.*

- e) *The Board would continue to use a quota system on cultivated acreage to call grain forward and to share delivery opportunity among producers.*
- f) *Failure to have declared in the permit book (#4 above) would disqualify a producer from participating in MAP.*
- g) *Each application would be accompanied by an affidavit signed by the applicant that the stated quantities of grain are stored on the farm.*
- h) *Each application would state:*
  - i) *The kind, amount and estimated grade of each grain being committed to MAP.*
  - ii) *Land description where the grain is stored.*
  - iii) *Names and addresses of all persons who have an interest in each kind of grain, and the extent of each person's interest.*





- iv) The person or persons to whom payment is to be made.
- v) The person to whom storage payments are to be made.
- vi) A guarantee that the grain will be kept in good condition.
- vii) The delivery point to which a producer wishes to deliver the grain.
- i) Each application to be signed by all persons who have an interest in the grain.
- j) Upon acceptance of the application by the Board, and after deducting any outstanding cash advance from previous years, the country elevator manager would issue to each person whose grain has been accepted by MAP, a cheque as an initial payment for the grain at an amount per tonne equal to the initial payment at July 31 at the producer's delivery point for the crop year just ended.
- k) On the first day of November and on the first day of each succeeding three-month period, the Board would mail to each person to whom storage is to be paid (h(v) above), a cheque for an amount per tonne for storage equal to an amount that would be paid if the grain were stored in a licensed elevator.
- l) Each person to whom storage is paid shall be responsible to ensure MAP grain is kept in good condition.
- m) Storage payments would cease at the end of the three-month period in which the permit holder is notified to deliver grain to an elevator (or such other person identified by the Board).
- n) When MAP grain is needed by the Board, the Board shall notify the permit holder by Registered Mail, and the permit holder shall deliver the grain to an elevator (or such other person identified by the Board).
- o) The Board shall make MAP grain available to the local market when arrangements are made with the Board.
- p) The Board shall consider MAP grain as a reserve to be called into the system when regular quotas do not bring forward grain needed to meet sales commitments.
- q) MAP grain called forward by the Board shall become part of the Pool for the crop year in which the grain is delivered to the Board.
- r) All interest and storage costs associated with MAP to be paid by the federal government.
- s) All administrative costs associated with MAP to be paid by the Board.
- t) Regulations providing for penalties for abuses to be drawn up by the Board.



25. We recommend this plan for your implementation commencing with the 1982-83 crop year.

Grain Prices and Farm Income

26. There is a sense of uneasiness in the farm community over the weakening of grain prices at the world level. Your Board has indicated this phenomenon is probably more political than economic in its origins, linked in large measure to U.S. domestic and foreign policy and levels of production.

27. Nonetheless, it is not without impact to current levels of farm income. The downturn is reflected by the lower levels of initial prices being paid to producers on grain deliveries which have resulted in lower cash flow, offset in part by higher levels of delivery.

Initial Prices - Per Metric Tonne

	<u>1980-81</u>	<u>1981-82</u>	<u>Difference</u>
#1 C.W.R.S. Wheat	\$ 196.50	\$174.50	\$ - 22.00
#1 CW-6R Barley	149.75	126.93	\$ - 22.82
#1 CW Oats	125.00	116.00	\$ - 9.00

28. C.W.B. weekly average price quotations for the above grades of grain in week 29 (ending February 19) were reported by the Canadian Grain Commission as follows:

Comparison of Current Quotations to Initial Prices

	<u>Quotation</u>	<u>Initial Price</u>	<u>Spread per tonne</u>
#1 C.W.R.S. Wheat	\$ 201.55	\$ 174.50	\$ 27.05
#1 CW 6 Row Barley	189.00	126.93	62.07
#1 CW Oats	177.50	116.00	61.50





29. While the spread between the price quotation and initial price for wheat is currently very narrow, we believe an increase in the initial prices for both barley and oats should be considered.

30. With high costs of production confronting farmers this spring, an early increase in initial prices and payment of adjustments where possible, is essential.

31. We further recommend that the C.W.B. do all in its power to dissuade the federal government from participating in any ill conceived grain embargoes the U.S. government is prone to announce from time to time.

#### Crow Rate on Export Grain

32. Our organization has taken a strong position on the importance of retaining for grain producers the current statutory Crow rates on export grain.

33. We can only imagine the adverse effect to future farm incomes that an end of the Crow rate would represent.

34. One immediate impact would undoubtedly result in a sharp decline of the initial prices for grain in view of the fact that an underlying pillar of the strategy of both the federal government, the Western Agriculture Conference and the Prairie Farm Commodity Coalition is to stimulate industrial development through slashing the farm value of grain.





35. In the case of the W.A.C. policy, this cut would occur because its policy advocates downward adjustments in Board selling prices for domestic feed grains on the prairies by an amount equivalent to the compensatory rate calculated on the corn competitive price less the compensatory rate west of Thunder Bay. If a cut in the initial price did not occur, it could result in the present C.W.B. initial price for feed grains calculated back from Thunder Bay at the Crow rate exceeding the price for which the Board would be required to offer the same grain for sale to feeders.

36. The P.F.C.C. position is, of course, more clear in this regard. It demands that farmers at the time of delivery pay railways the full compensatory rate and thereby become eligible for an eventual rebate of the so-called "Crow gap", or a portion thereof based on an acreage system.

37. Both systems are destructive to farm income since they advocate reductions in the farm gate value of grain and the financing of secondary industry by farmers.

38. We are mystified by the contradiction in grain marketing strategy that is evolving from the federal government as well.

39. On the one hand it advocates a greatly expanded vision for secondary processing of grain and oilseeds and consequent stimulation of livestock feeding and processing should the Crow rate be ended.

40. On the other hand, the government through your Board has established export grain targets of 30 million tonnes by 1985 and



36 million tonnes by 1990, both targets which now appear to be too modest.

41. Where is all this grain and oilseed for secondary industry and export to be grown and by whom?

Will the future impact of freight rate increases affect the current competitive ability of grain producers to sell their grain into highly erratic world markets?

42. How much additional grain and oilseeds will be required for processing and feeding and to whom will the processed products be sold?

43. If the demand for additional quantities of grain and oilseeds for industrial purposes in fact occurs, how will this affect C.W.B. export targets?

44. There is a serious credibility gap surrounding the federal strategy to rid farmers of the Crow in order to stimulate secondary industry. Many questions are raised of which the above are but a few.

45. While volumes of research have been prepared to justify, on behalf of the railway companies, higher levels of compensation for the movement of grain, effectively no studies have been prepared to predict the possible effect to growers of loss of the Crow.

46. The loss of the Crow has implications to the future success of the Board as well. Certainly should the Crow be lost, producers in general would lose a competitive edge in direct relationship to the





amount they are expected to bear in future freight cost increases. As stated previously, reduced initial prices would be one direct result. This in turn would reduce cash flow but might also create additional pressure from the private trade for greater "flexibility" in export marketing choice for farmers as between Board and open marketing systems on the pretext that farmers need all the money they can get at time of delivery.

47. We shall vigorously oppose such attempts to further undermine Board operations.

48. Should variable rates be introduced the number of gathering points for grain can also be expected to diminish and a net loss of storage facilities will occur. The cost to those farmers required to move grain longer distances to more central delivery points will further dull their competitive edge.

49. If your Board has not already done so, we urge you undertake an assessment of the possible implications to your operations that are contingent to the loss of the Crow rate.

#### Announced Quota Change

50. On February 1, the Board announced its 1982-83 quota policies which are to include a provision for bonus acres.

51. Our organization recognizes the basic reasons for the change but hastens to point out that the change will do nothing to increase overall markets. It will at the same time increase the delivery opportunity for some producers at the expense of others.





52. This is already occurring to a considerable extent in the much larger quotas in effect for producers delivering their rapeseed to crushing plants as opposed to those who for reasons of distance or price differential deliver to country elevators or utilize producer cars.

53. We believe operation of the policy should be closely observed in order to determine its merits and reviewed at the appropriate time.

#### Class Action

54. We take this opportunity to comment briefly on the Class Action suit launched by the NFU's Railway Action Committee in 1980.

55. It will be recalled that the cause of action was the failure on the part of the railway companies to fulfill their commitments for the movement of grain to export positions in sufficient volume to enable your Board to fulfill all its export contracts, a concern over which your Board issued several public statements.

56. Although your Board was requested to join in the action, it chose not to do so and subsequently was entered as a "defendant without liability" in the hope that required documentation of proof supportive of the charges against the railways would eventually be produced.

57. As is known, the merits of the Action were never entered into court. Instead, motions for dismissal of the Action entered by the railway companies and your Board were accepted by the Court and eventually granted.



58. The essence of the judgment determined that:

- a) The named plaintiffs (Don Robertson and Rudy Kiist) were not regarded as shippers who could file a claim against the railway companies since all such grain shipments were handled by the Board and were considered to be owned by the Board.
- b) As a consequence, producers did not qualify under Court rules as a class for the purposes of engaging in an action against the railway companies.
- c) The court did not have jurisdiction to determine damage, which the judgment ruled was the jurisdiction of the C.T.C., but that once the principle of damage was determined, it could then deal with establishing the amount of damage.

59. These interpretations were in our view very narrow, particularly in light of the fact that:

- i) Producers are compelled by law to deliver to your Board wheat and barley they produce for export;
- ii) Producers pay the full costs of your Board's operations;
- iii) Your Board has no direct profit goal in the sale of grain on behalf of producers other than to maximize the returns to producers.

60. Our purpose in briefly reviewing these events is to place on record our belief that if the railway companies in future fail to live up to their legal obligations in the movement of grain, your Board will need to become more directly involved in the seeking of restitution for producers since the court ruling in effect denies individual producers any recourse to grievances for the non movement of Board grains.

61. We acknowledge, with appreciation, that your Board did not seek reimbursement for costs to which you were entitled under the terms of the judgment.





### Grains Research Check-Off

62. We are aware of the organization of a Western Grains Research Foundation which is once again seeking a check-off on all deliveries of grain for the purposes of financing grains research.

63. We reiterate previous policies of our organization in this regard. We are well aware that grains research is essential if Canada is to remain in the forefront as a major world exporter of high quality grain. In this respect the national interest is well served. It is, therefore, appropriate that grains research be publically funded and farmers bear no greater share of research costs than other citizens. Similarly, we oppose proposed federal legislation calling for implementation of private plant breeders patent rights.

64. We request your Board resist overtures to have such research funds deducted from future producer grain deliveries.

### Cash Advances

65. The amount of cash advances on farm stored grain now available to producers is limited to \$15,000.

66. In the absence of a Market Assurance Program which would allow producers to commit all or a portion of farm inventory for future delivery and receive an initial payment on such farm stored grain, we request the amount of the current interest free cash advance be increased from \$15,000 to \$25,000.





67. Two problems for producers related to the current cash advances legislation are:

- a) The need for all farmers who farm some rented land on a crop share basis to obtain the written permission of the landlord before a cash advance on any production can be obtained; and
- b) The non-recognition of spouse's eligibility for separate cash advances in circumstances where they are operating as a full partnership.

68. These limitations present undue hardships in some instances and regulations relating, thereto should be amended.

69. While we can accept that landlords' rights should be protected in the first instance, a farmer who is himself a owner should not require permission of another landlord in order to obtain a cash advance on his own land.

#### Conclusion:

70. In conclusion, we summarize our submission as follows:

- 1) We reiterate our support for the concept of Board marketing as the system representing least cost to the grain producer.
- 2) We reject any policy proposal which visualizes the restructuring of the Board from its present concept to a producer-elected Board.
- 3) We support the expansion of Board marketing functions to include jurisdiction over the marketing of rye, flax and rapeseed, and its eventual broadening to include all grains marketed in Canada.
- 4) We urge immediate return to Board jurisdiction, the marketing of feed grains consumed in the domestic market.
- 5) We recommend the federal government reimburse producers through the Board for losses on required domestic feed grain sales filled by the Board in an amount representing the difference between the corn formula prices and export prices.



- 6) We request creation of a new Advisory Committee district in the Peace River area of Alberta and B.C.
- 7) We urge implementation for 1982-83 crop year of a Market Assurance Program.
- 8) We request an increase in initial grain prices at the earliest possible time.
- 9) We oppose Canada's participation in any U.S. inspired grain sales embargoes.
- 10) We request your Board prepare a study dealing with implications to its operations that might be anticipated should the statutory Crow rate be lost.
- 11) We urge monitoring on the impact of proposed 1982-83 crop year quota changes.
- 12) We recommend your Board accept responsibility in future for seeking redress to farmers on possible sales losses resulting from poor transportation performance on the part of railway companies.
- 13) We request you resist overtures for the implementation of a proposed grains research check-off program.
- 14) We request an amendment to the regulations governing cash advances to increase the upper limit to \$25,000 and changes governing the eligibility for advances to spouses and permit holders who are owner-renters.

All of which is respectfully  
submitted by:

THE NATIONAL FARMERS UNION







